

were thus compelled to set aside for the purpose. The result was a reduction of the banking resources of the other banks -and the complication of the paper currency by the rival circulation of the Provincial notes in competition with banknotes.

New Brunswick and Nova Scotia were brought within the circle of Canadian banking legislation by the Act of 1867, creating the Dominion of Canada, which conferred exclusive authority in matters connected with currency, coinage, and banking upon the Parliament of the Dominion. The charters of existing banks were extended temporarily to the end of the first session of Parliament after January 1, 1870, and several provisions affecting the Canadian banks were extended to those of New Brunswick and Nova Scotia. The Provincial note issue was consolidated into an issue of Dominion notes and redemption agencies were provided for in the capitals of the four provinces. The banks in existence when the Confederation became a fact on July 1, 1867, were eighteen in Ontario and Quebec, five in Nova Scotia, four in New Brunswick, and one operating in all the provinces under royal charter.

The attempts to create a secured circulation or a government currency were renewed after the creation of the Dominion, and the supporters of the former had the benefit of the example of the United States and the active efforts of Mr. E. H. King, the manager of the Bank of Montreal. A scheme of this sort was taken up by Mr. Rose, the new Minister of Finance, in 1869, and, according to his bill, was to go into effect on July 1, 1871. The banks after that date were to be required to reduce their unsecured circulation twenty per cent, a year until the whole should be retired, and were permitted to issue notes up to the amount of their capital stock actually paid in, bearing on their face the statement that they were secured by the deposit of Dominion securities. These notes were to be legal tender throughout the Dominion, except at the office of the issuing bank, so long as they were redeemed in specie, and were to be protected by a cash reserve amounting to twenty per cent, of the notes